

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Meceola Consolidated Central Dispatch Auth	County Mecosta/Osceloa
Fiscal Year End 12/31/06	Opinion Date 6/20/07	Date Audit Report Submitted to State 6/29/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

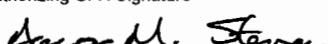
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA	License Number 1101024055	

**Meceola Consolidated Central  
Dispatch Authority  
Paris, Michigan**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2006**

Meceola Consolidated Central Dispatch Authority

APPOINTED OFFICIALS

December 31, 2006

Chairperson	James Crawford
Vice-Chairperson	George Freeman
Treasurer/Secretary	Gloria Eisenga
Member	Peg Brennan
Member	Andrea Nerbonne
Member	Edward Seath
Member	John Sonntag
Member	Raymond Steinke
Member	Henry Wayer

Meceola Consolidated Central Dispatch Authority

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Meceola Consolidated Central Dispatch Authority  
Paris, Michigan

We have audited the accompanying financial statements of the Meceola Consolidated Central Dispatch Authority as of and for the year ended December 31, 2006, as listed in the Table of Contents. These financial statements are the responsibility of the Meceola Consolidated Central Dispatch Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Meceola Consolidated Central Dispatch Authority as of December 31, 2006, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 20, 2007

Meceola Consolidated Central Dispatch Authority

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2006

The intent of the management discussion and analysis is to provide highlights of Meceola Consolidated Central Dispatch Authority's (the Authority) financial activities for the fiscal year ended December 31, 2006. Readers are encouraged to read this section in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- ❖ Net Assets: The assets of the Authority exceeded its liabilities by \$1,452,563 as of December 31, 2006. Of this amount, \$548,265 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- ❖ The total net assets decreased by \$170,716 as a result of current year activity.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report includes this management discussion and analysis report, the independent auditor's report and the basic financial statement of the Authority, including notes that explain in more detail some of the information in the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The financial statements report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The Statement of Net Assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to their creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing their liquidity and financial flexibility.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Authority's operations over the past year.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**FINANCIAL ANALYSIS OF THE AUTHORITY**

The Statement of Net Assets and the Statement of Activities provide information to determine how the Authority did financially during fiscal year 2006. The net assets, or the difference between assets and liabilities, and the changes in them can indicate whether financial health is improving or deteriorating over time. However, other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation also need to be considered in determining the Authority's financial health.

Meceola Consolidated Central Dispatch Authority

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2006

**NET ASSETS**

The Authority's Condensed Statement of Net Assets and Statement of Revenue, Expenses and Changes in Fund Net Assets are presented in the following comparative tables.

TABLE 1  
CONDENSED STATEMENT OF NET ASSETS

	<u>12/31/2006</u>	<u>12/31/2005</u>
Current assets	\$ 594,827	\$ 564,908
Other noncurrent assets	11,623	42,053
Capital assets	<u>904,298</u>	<u>1,381,400</u>
Total assets	1,510,748	1,988,361
Current liabilities	44,588	93,701
Noncurrent liabilities	<u>13,597</u>	<u>-</u>
Total liabilities	58,185	93,701
Invested in capital assets	904,298	1,356,329
Unrestricted	<u>548,265</u>	<u>538,331</u>
Total net assets	<u>\$ 1,452,563</u>	<u>\$ 1,894,660</u>

TABLE 2  
CONDENSED STATEMENT OF REVENUE, EXPENSES,  
AND CHANGES IN NET ASSETS

	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 1,183,325	\$ 1,310,156
Nonoperating revenues	<u>21,903</u>	<u>142,994</u>
Total Revenues	1,205,228	1,453,150
Depreciation expense	306,303	261,980
Other operating expense	1,066,383	987,206
Nonoperating expense	<u>3,258</u>	<u>12,741</u>
Total expenses	<u>1,375,944</u>	<u>1,261,927</u>
Changes in net assets	( 170,716 )	191,223
Restated beginning net assets	<u>1,623,279</u>	<u>1,703,437</u>
Ending net assets	<u>\$ 1,452,563</u>	<u>\$ 1,894,660</u>

Meceola Consolidated Central Dispatch Authority

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2006

The Authority's operating revenues decreased \$126,831 or approximately 10%. This was primarily due to the trend of consumers switching from traditional land line telephones to cellular phones. The surcharge revenue for a cellular line is significantly less than a land line.

**BUDGETARY HIGHLIGHTS**

The Authority is an enterprise fund and is not required to adopt an annual budget. However, the Authority Board does adopt an annual operating budget. The operating budget includes proposed expenses and the means of financing them. The Authority's operating budget remains in effect but can be revised with the Authority Board approval prior to the December 31 year end.

**CAPITAL ASSETS**

At the end of 2006 and 2005, the Authority had \$904,298 and \$1,095,105 respectively invested in capital assets as follows:

	<u>2006</u>	<u>Restated 2005</u>
Land	\$ 10,529	\$ 10,529
Buildings and improvements	533,397	533,397
Equipment	<u>1,713,310</u>	<u>1,597,814</u>
Total at historical cost	2,257,236	2,141,740
Less: accumulated depreciation	<u>( 1,352,938 )</u>	<u>( 1,046,635 )</u>
Net capital assets	<u>\$ 904,298</u>	<u>\$ 1,095,105</u>

**DEBT ADMINISTRATION**

The following is a summary of changes in long-term debt of the Authority for the year ended December 31, 2006:

	<u>Balance Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2006</u>
Note payable	\$ 25,071	\$ -	\$ 25,071	\$ -0-
Accumulated sick and vacation	<u>27,193</u>	<u>25,272</u>	<u>25,272</u>	<u>27,193</u>
	<u>\$ 52,264</u>	<u>\$ 25,272</u>	<u>\$ 50,343</u>	<u>\$ 27,193</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Due to the continued decrease of phone surcharge revenues because of the continuing migration toward cellular telephones, the counties increased the surcharge to the maximum of \$3.20 per line, which took effect on March 1<sup>st</sup> 2007. This increase in surcharge is expected to be a revenue neutral change, stopping the decline and holding the income at the current level until the end of 2007. New state legislation for statewide 911 funding is expected to go into effect on January 1<sup>st</sup>, 2008 as the current funding legislation sunsets on December 31, 2007. No new capital improvements are scheduled for 2007 due to the insecurity in continued funding.



Meceola Consolidated Central Dispatch Authority

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2006

**CONTACT INFORMATION**

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate its accountability for the funds it receives. Anyone having questions regarding this report or desiring additional information may contact Laurie Smalla at 20701 Northland Drive, Paris, MI 49338.

## **BASIC FINANCIAL STATEMENTS**

Meceola Consolidated Central Dispatch Authority

STATEMENT OF NET ASSETS

December 31, 2006

ASSETS

Current assets

Cash and cash equivalents	\$ 395,971
Accounts receivable	145,454
Prepaid expenses	40,912
Other assets	<u>12,490</u>

Total current assets	594,827
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Noncurrent assets

Other assets	11,623
Capital assets not being depreciated	10,529
Capital assets, net of accumulated depreciation	<u>893,769</u>

Total noncurrent assets	<u>915,921</u>
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TOTAL ASSETS	1,510,748
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LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities

Accounts payable	5,393
Other accrued liabilities	25,599
Current portion of vacation and sick pay	<u>13,596</u>

Total current liabilities	44,588
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Noncurrent liabilities

Accrued vacation and sick pay	<u>13,597</u>
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TOTAL LIABILITIES	<u>58,185</u>
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NET ASSETS

Invested in capital assets	904,298
Unrestricted	<u>548,265</u>

TOTAL NET ASSETS	<u><u>\$ 1,452,563</u></u>
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See accompanying notes to financial statements.

Meceola Consolidated Central Dispatch Authority

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2006

OPERATING REVENUES	
Surcharge fees	\$ 1,183,325
OPERATING EXPENSES	
Salaries and wages	600,410
Payroll taxes and benefits	252,737
Utilities	10,008
Insurance	9,240
Professional services	14,452
Service contracts	77,993
Software licenses	32,631
Leases	7,725
Travel	3,046
Training	8,503
Supplies	12,125
Telephone	24,509
Postage	671
Repairs and maintenance	11,449
Dues and subscriptions	467
Depreciation	306,303
Miscellaneous	417
	<hr/>
TOTAL OPERATING EXPENSES	1,372,686
	<hr/>
OPERATING LOSS	(189,361)
NONOPERATING INCOME (EXPENSE)	
Interest income	7,128
Interest expense	(2,688)
Reimbursements	14,775
Other expense	(570)
	<hr/>
TOTAL NONOPERATING INCOME (EXPENSE)	18,645
	<hr/>
CHANGE IN NET ASSETS	(170,716)
Restated net assets, beginning of year	<hr/>
	1,623,279
Net assets, end of year	<hr/>
	\$ 1,452,563
	<hr/>

See accompanying notes to financial statements.

Meceola Consolidated Central Dispatch Authority

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from customers	\$ 1,220,117
Cash paid to suppliers	(218,198)
Cash paid to employees	<u>(848,201)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 153,718

CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES

Capital purchases	(115,496)
Other capital activities	14,205
Principal payment	(25,071)
Interest payment	<u>(2,688)</u>

NET CASH (USED) BY CAPITAL AND  
RELATED FINANCING ACTIVITIES (129,050)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest revenue	<u>7,128</u>
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NET INCREASE IN CASH DURING YEAR 31,796

Cash, beginning of year 364,175

Cash, end of year \$ 395,971

Reconciliation of operating loss to net  
cash provided by operating activities

Operating loss	\$ (189,361)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	306,303
Decrease in accounts receivable	36,792
(Increase) in prepaid expenses	(7,511)
Decrease in other assets	17,940
(Decrease) in accounts payable	(15,391)
Increase in accrued liabilities	<u>4,946</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 153,718

See accompanying notes to financial statements.

Meceola Consolidated Central Dispatch Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Meceola Consolidated Central Dispatch Authority (the Authority) was organized in 1993 by Mecosta and Osceola Counties for the purpose of acquiring, owning, and operating an enhanced emergency response system within the boundaries of the participating counties. The Authority is funded by a 16% surcharge on phone lines within the Counties.

**1. Reporting Entity**

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Meceola Consolidated Central Dispatch Authority. The Authority is considered a "joint venture" of the constituent municipalities.

The financial statements of the Authority include the following operations: wireless, hard-wired, and the internal cost communication center. The operations listed above are included because the Authority has direct oversight responsibility over each operation.

The Authority is controlled by a nine member Commission. The Commission is comprised of a representative from the Michigan State Police, three members from Mecosta and Osceola Counties each, one member from the Michigan Sheriff's Association, and one member from the county whose sheriff is not appointed by the Michigan Sheriff's Association. The Authority elects from its members a Chairperson, Vice-Chairperson, Treasurer, and Secretary.

**2. Basis of Presentation**

The operations of the Authority are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The Authority's resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the basic financial statements in this report is described as follows:

**PROPRIETARY FUND**

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

**4. Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Proprietary Fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

Meceola Consolidated Central Dispatch Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Cash

Cash consists of checking and savings accounts.

6. Other Assets

Other assets consist of service contract license fees which were paid in 2003 and are being amortized over 5 years.

7. Capital Assets

Capital assets, which include buildings and equipment, are capitalized at total acquisition cost, provided such cost exceeds \$500 and the expected useful life of the asset is more than two years. Donated property and equipment are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend their lives are charged to expense when incurred. Depreciation is recorded on all depreciable capital assets using either a 150% or 200% double declining method over the estimated useful lives of the assets.

The estimated useful lives are:

Buildings and improvements	15 - 40 years
Equipment	5 - 20 years

8. Accrued Vacation and Sick Leave

Employees of the Authority are granted sick and vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated sick and vacation time. All employees with accumulated unused sick and vacation time pay at December 31, 2006 were vested and the total due to them, along with the related payroll taxes, is recorded entirely on the Statement of Net Assets.

9. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH**

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures more than 270 days after the date of purchase.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE B: CASH - CONTINUED**

4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Association, Federal National Mortgage Corporation or Government National Mortgage Association.

Deposits

There is a custodial risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2006, the carrying amount of Authority's deposits was \$395,971 and the bank balance was \$417,997, of which \$200,000 was covered by federal deposit insurance. The balance of \$217,997 was uninsured and uncollateralized.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2006, the Authority did not have any investments that would be subject to rating by an NRSRO.

Interest Rate Risk

The Authority has not adopted a policy that indicates how the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of Credit Risk

The Authority's concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business in accordance with Board approved policy.



Meceola Consolidated Central Dispatch Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006, was as follows:

	Restated Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Capital assets not being depreciated				
Land	\$ 10,529	\$ -	\$ -	\$ 10,529
Capital assets being depreciated				
Buildings and improvements	533,397	-	-	533,397
Equipment	<u>1,597,814</u>	<u>115,496</u>	<u>-</u>	<u>1,713,310</u>
Subtotal	2,131,211	115,496	-0-	2,246,707
Less accumulated depreciation for				
Buildings and improvements	( 175,021 )	( 16,979 )	-	( 192,000 )
Equipment	<u>( 871,614 )</u>	<u>( 289,324 )</u>	<u>-</u>	<u>( 1,160,938 )</u>
Subtotal	<u>( 1,046,635 )</u>	<u>( 306,303 )</u>	<u>-0-</u>	<u>( 1,352,938 )</u>
Total capital assets being depreciated	<u>1,084,576</u>	<u>( 190,807 )</u>	<u>-0-</u>	<u>893,769</u>
Net Capital Assets	<u>\$ 1,095,105</u>	<u>\$( 190,807 )</u>	<u>\$ -0-</u>	<u>\$ 904,298</u>

**NOTE D: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Authority for the year ended December 31, 2006:

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006	Amounts Due Within One Year
Note payable	\$ 25,071	\$ -	\$ 25,071	\$ -0-	\$ -
Accumulated Sick and Vacation	<u>27,193</u>	<u>25,272</u>	<u>25,272</u>	<u>27,193</u>	<u>13,596</u>
	<u>\$ 52,264</u>	<u>\$ 25,272</u>	<u>\$ 50,343</u>	<u>\$ 27,193</u>	<u>\$ 13,596</u>

**Accrued Sick and Vacation**

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$27,193 at December 31, 2006. The amounts of \$13,596 and \$13,597 have been reported as current and noncurrent liabilities, respectively.

Meceola Consolidated Central Dispatch Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE E: RETIREMENT PLAN**

Plan Description

The Authority participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Authority. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Authority Board and by negotiation with the Authority's collective bargaining units. Employees of the Authority are not required to contribute to the plan. The Authority is required to contribute amounts necessary to fund the plan at an actuarially determined rate.

Annual Pension Cost

For year ended December 31, 2006, the Authority's annual pension cost of \$65,037 for the plan was equal to the Authority's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5% per year (annually) for persons under Benefit B-2 after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of twenty-nine (29) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 689,969	\$ 779,591	\$ 889,327
Actuarial accrued liability (AAL)	861,678	991,036	1,111,849
Unfunded (overfunded) AAL	171,709	211,445	222,522
Funded ratio	80 %	79 %	80 %
Covered payroll	518,499	569,699	595,261
UAAL as a percentage of covered payroll	33 %	37 %	37 %

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 57,972	\$ 52,128	\$ 65,037
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

Meceola Consolidated Central Dispatch Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE F: RISK MANAGEMENT**

The Authority carries commercial insurance for the risk of loss due to workers' compensation claims.

The Authority also participates in a pool, the Michigan Municipal Risk Management Authority, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Authority has not been informed of any special assessments being required.

**NOTE G: POST-EMPLOYMENT BENEFITS**

The Authority provides health insurance coverage to the retired employees. Currently, there are no retirees utilizing these benefits. The health insurance coverage is similar to the coverage provided to current employees. The Authority submits payment to the health insurance provider for the premiums on a monthly basis. The premiums are reimbursed to the Authority by the retired employees in the preceding month. During 2006, no premiums were submitted to the health insurance provider on behalf of retired employees.

**UPCOMING REPORTING CHANGE**

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

**NOTE H: ECONOMIC DEPENDENCY**

A significant amount of the revenue of the Authority is derived from 911 telephone surcharges that must be periodically renewed by voters. The loss of telephone surcharge revenue from the Counties would have a significant effect on the Authority's ability to continue with operations.

**NOTE I: RESTATED NET ASSETS**

Beginning net assets were restated to correct overstated net capital assets and understated prepaids as of December 31, 2005. Beginning net assets were decreased by \$271,381.

#### Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board of Directors of the  
Meceola Consolidated Central Dispatch Authority  
Paris, Michigan

We have audited the accompanying financial statements of the Meceola Consolidated Central Dispatch Authority as of and for the year ended December 31, 2006, and have issued our report thereon dated June 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Meceola Consolidated Central Dispatch Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We identified the following control deficiencies that we consider be significant deficiencies in internal control over financial reporting:

### PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Authority rests with the Authority's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many small governments to rely on the independent auditors to assist in the preparation of the financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

## PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

The condition noted in the preceding paragraph exists at the Meceola Consolidated Central Dispatch Authority. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Authority's annual financial statements and notes to the financial statements in accordance with GAAP. The Authority relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Authority consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

## SEGREGATION OF DUTIES

During the course of our audit, we noted that the Executive Director is involved with opening of the mail, cash receipting, and depositing to the bank, entering invoices into the accounting system, approving new vendors, generating checks, signing checks, and mailing checks.

The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.). Duties and responsibilities for handling receipts should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Opening the mail.
- b. Receipting payments.
- c. Balancing receipts to the accounting records.
- d. Performing the bank reconciliation.

Duties and responsibilities for handling disbursements should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Entering invoices into the general ledger.
- b. Approving new vendors.
- c. Generating and signing checks.
- d. Mailing checks.

Management must realize that a greater risk in safeguarding receipts will exist if duties and responsibilities are not appropriately arranged and separated. In smaller governmental entities, where the number of employees is limited and duties cannot be adequately separated, management must provide a greater review and supervision of employee functions and procedures.

We recommend that the Authority appropriately arrange and separate duties and responsibilities so that an adequate internal control system exists to safeguard receipts and disbursements. If management cannot separate duties within the office to provide an adequate internal control system, management and the Board must realize that a greater risk in safeguarding receipts will exist.

## APPROVING INVOICES

During the course of our audit, we noted that the Board does not approve invoices prior to payment unless it is over \$500, and not within the budget. This is due to the timing of when the invoices are to be paid compared with when the Board meets. However, we noted that the Board does not review a list of checks paid during the month between meetings and does not verify the sequence of check numbers.

We recommend that the Board approve invoices prior to payment and indicate the approval on the face of the invoice. If prior approval is not practical due to the timing of the meetings, we recommend that the Board review and approve a list of checks written during the month.

## RESTATEMENT OF NET ASSETS

During the course of our audit, it was noted that previously issued financial statements were materially misstated. A restatement of net assets has been recorded to reflect the correction of this material misstatement. The Authority was relying on their external auditors for the fair presentation of the financial statements. The external auditors were recalculating depreciation expense on a straight-line basis when the Authority's policy is to use the double declining balance method. As a result, previously issued financial statements were materially misstated and management was unaware of the misstatements.

Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statement, in conformity with accounting principles generally accepted in the United States of America.

We recommend that the Authority establish, maintain and monitor internal controls to ensure that the financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of management and Members of the Board of the Meceola Consolidated Central Dispatch Authority, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 20, 2007